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Sent: 8/22/2019 2:57:35 PM
To: Jackson, Ryan [jackson.ryan@epa.gov]
Subject: items
Attachments: Charts.pdf

Ryan, we've been hearing some rumors on things that may be under consideration regarding the RFS. Just in case, I thought I would share these thoughts with you. We've also done some analysis on arguments about biofuel demand and that is attached as a pdf.

Thanks,

Derrick

- E10 Pumps allowed to sell E15
 - The existing system is meant to protect both small businesses, drivers, and the environment.
 - Many vehicles, and all off-road/non-road engines such as motorcycles and boats cannot handle E15. Ignoring well-established protections will put those consumers at risk of engine damage.
 - Other regulations exist to prevent product leakage by ensuring tanks and other equipment are only using product that they were designed to handle. Ignoring that protection will cause damage to the small businesses that own retail, but also subject them to potential liability if releases occur.
- USDA involvement in the reset rule
 - EPA has the duty to consider the 6 statutory criteria using the best available science.
 - Those criteria, along with our experience in RFS implementation, clearly underscore the need to reduce the mandated volumes, which have never been achieved.
 - Ethanol is a competitive fuel without the mandate, and advanced biofuels are very expensive—essentially a tax on American drivers.
 - Increases in the mandate like USDA is seeking are unachievable, as has been demonstrated each year. Even if they were, they are likely to be met with imported fuels.
 - i. The 2018 mandate was 19.29 billion RINs, but total available supply was only 18.55.
 - ii. Obligated parties relied on more than 700 million gallons of imported biofuel to satisfy the 2018 mandate.
 - iii. Even imported biofuel was not sufficient, as obligated parties drew down the RIN bank by 400 million carryover RINs, a 35 percent reduction in the number of advance biofuel carryover RINs.
 - EPA should be allowed to follow the science in the reset rule.
- Rescission of existing SREs
 - Granting the SREs two weeks ago was a final agency action, rescinding them would be plainly illegal.
 - Companies have already made business decisions as a result of the decision, including selling RINs.
- Reallocation
 - Reallocation would not help farmers, provide additional incentive for foreign biofuels imports, and pad profits for Wall Street banks at the expense of U.S. refiners.
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 - iv. The 2020 RVO is being set at a maximum feasible level for U.S. consumption. There is simply no way for the fuel system to absorb reallocated biofuel volumes.
 - v. The most likely scenario is a big RIN bank drawdown, with which send prices soaring.
 - vi. RIN price are not correlated to blending.
 - 1. Ethanol consumption/D6 correlation is an R squared of .0009 (no correlation).
 - 2. Biodiesel consumption/D4 correlation is an R squared of .0471 (almost no correlation).
 - 3. Biodiesel production/D4 correlation is an R squared of .0648 (almost no correlation).
- There has been no demand destruction from SREs, so there are no “lost” volumes to reallocate.
 - i. Both ethanol and biodiesel consumption are at or near record highs despite the SREs.
 - ii. Total consumption of both ethanol and biodiesel are up for the first 5 months of 2019 compared with all prior years.
 - iii. The ethanol blend rate averaged 10.19% through May 2019, up from all previous years.
- Reallocation after the final rule for a compliance year is illegal.
 - i. EPA does not have the authority to retroactively impose requirements on market behavior.
 - ii. EPA does not have the legal authority to artificially increase a future year obligation to “make up for” exemptions in a prior year.
- Reallocation would be unfair to refiners that make business plans to comply with their obligation (supply contracts, contracts with blenders for RINs, RIN bank management, etc).